

## **The Tax Filing Simplification Act of 2022**

*Senators Elizabeth Warren and Congressman Brad Sherman*

American taxpayers spend an average of 11 hours preparing their tax returns and pay about \$200 for tax preparation services – a cost equal to almost 10 percent of the average federal tax refund. In 1998, a Republican Congress passed – and President Clinton signed – an IRS reform bill mandating that the IRS develop procedures to implement a “return-free” tax system to dramatically simplify the filing process for individuals with simple tax situations. Yet these procedures remain undeveloped nearly a decade after the law’s 2008 implementation deadline. Instead, the IRS has turned over control of the tax filing process to private companies.

The IRS’s Free File program – a partnership between the IRS and private tax software companies – claims to provide free tax preparation services to 70 percent of taxpayers. In reality, only 3 percent of eligible taxpayers use Free File. Each software company is allowed to set up its own eligibility criteria, creating a “maze of offerings” that confuses taxpayers into purchasing unnecessary products. Taxpayers wishing to e-file their taxes have no choice but to share sensitive financial information with a private third party – even though a recent audit found that nearly half of Free File companies fail to adequately protect taxpayer data from cybercriminals.

Intuit and H&R Block withdrew from the Free File program in 2021, raising even more concerns about the program going forward. The IRS also updated its MOU with the Free File Alliance in 2021, removing the prohibition on the IRS developing its own filing system. Meanwhile, the GetCTC non-filer portal developed by non-profit Code for America in collaboration with the Biden Administration replaced and outstripped the shoddy CTC tool developed by Intuit, demonstrating the potential of truly free, truly easy free simplified filing tools.

## **The Tax Filing Simplification Act of 2022**

The Tax Filing Simplification Act of 2022 makes several commonsense changes to simplify the tax filing process for millions of American taxpayers and lower their costs. Specifically, the legislation:

- Prohibits the IRS from entering into agreements that restrict its ability to provide free online tax preparation or filing services.
- Directs the IRS to develop a free, online tax preparation and filing service that would allow all taxpayers to prepare and file their taxes directly with the federal government instead of being forced to share private information with third parties.
- Enhances taxpayer data access by allowing all taxpayers to download third-party-provided tax information that the IRS already has into a software program of their choice, saving time and decreasing the risk of math errors on W-2 income or CTC payments that lead to significant processing delays.
- Directs the IRS to expand the CTC non-filer tool to cover other tax benefits, especially the EITC.
- Allows eligible taxpayers with simple tax situations to choose a return-free option, which provides a pre-prepared tax return with income tax liability or refund amount already calculated.
- Mandates that these data and filing tools be made available through a secure online function and requires any participating individual to verify his or her identity before accessing tax data.
- Reduces tax fraud by getting third-party income information to the IRS earlier in the tax season, allowing the agency to cross-check this information before issuing refunds.
- Directs the IRS to expand the CTC non-filer tool to cover other tax benefits, especially the EITC, by March 1, 2023.